

THE OPEN UNIVERSITY OF SRI LANKA
DEPARTMENT OF SOCIAL STUDIES
BA DEGREE IN SOCIAL SCIENCES – LEVEL 4
FINAL EXAMINATION– 2021/2022 (1st Semester)
DSU4335 – MONETARY ECONOMICS
DURATION: THREE HOURS (03 HOURS) ONLY

193



Date: 25/06/2022

Time: 9.30 a.m. – 12.30 p.m.

Instructions:

- Answer ONLY five (05) questions
- Each question is worth of twenty (20) marks
- Please write clearly

01. (a) Define what is money and explain the main functions of money. (10 marks)
- (b) Explain the evolution of money. (10 marks)
02. (a) What is money market equilibrium? Explain using appropriate graphs. (8 marks)
- (b) By using graphs explain what will happen in the money market when there are changes in money demand and money supply. (12 marks)
03. Define money supply and explain the components of money stock. (20 marks)
04. Explain the process of money creation with examples. (20 marks)
05. Describe the instruments of monetary policy. (20 marks)
06. (a) Explain the main goals of monetary policy. (12 marks)
- (b) What are the possible conflicts among goals of monetary policy? (8 marks)
07. Discuss the effects of expansionary monetary policy and contractionary monetary policy? (20 marks)

08. What is IS-LM model? How aggregate output and interest rate is determined using IS-LM Model? Explain your answers using appropriate graphs. (20 marks)

09. Write short notes on any **four (04)** of the following topics. (5 marks for each)

- (a) Quantity theory of money
- (b) Types of demand for money
- (c) Cash reserve ratio
- (d) Monetary Multiplier
- (e) Disadvantages of barter system